

Opening Statement of the Honorable Greg Walden
Subcommittee on Communications and Technology
Hearing on “Reauthorization of the Federal Communications Commission: The FCC’s FY
2016 Budget Request”
March 4, 2015

(As Prepared for Delivery)

Welcome to this morning’s hearing on the FCC’s Fiscal Year 2016 Budget Request. Today, as we commence a series of hearings into the agency’s reauthorization, I hope to start with the basics and take a close look at the FCC’s budget request for Fiscal Year 2016 -- a request for \$530 million in spending authority that if approved, would be the highest funding level in the agency’s history. When the FCC was last formally reauthorized in 1990, its appropriated budget was a little shy of \$117 million.

Much has changed since the last reauthorization of the commission. The industries and markets the Commission oversees have without question undergone dramatic changes and continue to evolve at a rapid pace. But in the intervening years the FCC has struggled to reflect the evolution of technology that has brought about the integration of voice, video, and data services and the significant shifts in consumer consumption patterns that have resulted. On the contrary, because it is structured in much the same way as its governing legislation, the Communications Act of 1934, the agency continues to reflect a regulatory scheme predicated on separate titles for specific network technologies and services: this “siloe” scheme is out of touch with the convergence of technologies in the modern digital era and deserves reform.

Nowhere is the Communications Act’s failure of imagination more evident than in the FCC’s decision to reclassify broadband service under rules developed to regulate the telegraph’s heyday – By resurrecting a regulatory scheme that had been going the way of the single-use copper line telephone network it was intended to govern, three FCC commissioners repudiated years of light touch regulation of the Internet under both Republican and Democratic administrations. This action suggests an agency seemingly ill-suited to address the needs of the modern communications ecosystem and aggressively expanding its regulatory ambit to compensate for its growing obsolescence.

During my time as chairman of this subcommittee, we have held several hearings focused on oversight of the FCC. The FCC chairman and commissioners have joined us multiple times to discuss agency process and the wide range of issues before the commission, and just last fall, the Managing Director and Inspector General were here to examine the agency’s budget and management. Today’s hearing is an opportunity to continue this work. In many respects, the budget request is like a window into the agency itself. By following the money we can identify the agency’s priorities and those functions that have evolved to define the agency.

The FCC has requested an increase in its budget to \$505 million, including \$388 million in budget authority from regulatory fee collections and \$117 million from auction funds – an increase of \$59 million from the FY2015 appropriation. Specific items noted in the request includes the usual pay raises for personnel, but also includes funds for the implementation of the public safety answering points do-not-call registry, as required by the Middle Class Tax Relief and Job Creation Act of 2012, \$3 million in costs for the National Broadband Map that the FCC inherited from NTIA when it ran out of stimulus funds to pay for it, a \$5.8 million increase in recurring and a \$ 11.7 million one-time increase in IT costs, and \$51 million in additional funds as the agency prepares to move or restack as their building lease expiration date approaches.

One component of the request that resonates in particular, and is in addition to the \$59 million increase in funding, is a request for a \$25 million transfer from the Universal Service Fund to pay the FCC’s costs related to administration of the fund – raising the total increase to \$84 million. In the past, Congress funded the FCC’s Office of Inspector General with a transfer of USF funds for the purpose of bolstering audits and investigations to address waste, fraud, and abuse in the Fund following a GAO report – and those funds have been expended by the Office of Inspector General over the last several years. The

request for \$25 million is not for audits and investigations by the Office of Inspector General – which based on our last hearing appears to have a rocky relationship with the chairman’s office – but to reimburse the commission for the costs of performing the core function of implementing section 254 of the Communications Act. This is a disturbing proposal. Mr. Wilkins states in his testimony that recovering these costs from the fund will relieve the burden on companies with no relationship to USF that pay fees to the commission. However, this “realignment” as it is called would create a separate funding stream for the agency that comes directly out of the pockets of consumers to implement and support a subsidy program the size of which is determined by the FCC and that has become so large and burdensome that it appears that it has outgrown the FCC’s capacity for adequate oversight. It is even more disturbing when we recognize the fact that the Universal Service Administrative Company - USAC, an independent organization designated to manage the Fund already draws in excess of \$100 million a year from the Fund for its administration and oversight and that the FCC’s Office of Inspector General dedicates a portion of its funding to USF audits and investigations. According to its last annual report, USAC had 356 employees at a cost of \$41.6 million.

This proposed transfer of funds out of the Universal Service Fund alone raises significant questions about the FCC’s budget and the ever increasing size of the Fund. Taken in conjunction with the request for the first \$51 million of an estimated the \$71 million in costs for the FCC’s relocation and other proposed increases there is much to discuss. We are fortunate to have the individual responsible for managing the Commission’s budget and financial programs with us again, Mr. Jon Wilkins, the Managing Director of the FCC. It is my hope that our conversations today will pull back the curtain and provide the committee and the American people with a better understanding of the Commission’s financial and performance goals for Fiscal Year 2016 and what the Commission is really up to.

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